MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 2, 2022/2023

BAC 2634 – FINANCIAL ACCOUNTING AND REPORTING II

(All sections / Groups)

7 July 2023
9.00 a.m. – 12.00 p.m.
(3 Hours)

INSTRUCTIONS TO STUDENT:

1. This paper consists of **SIX (6)** pages excluding cover page with **4** Questions only.
2. Answer **ALL** questions.
3. All questions carry equal marks and the distribution of marks for each question is given.
4. Please write all your answers in the Answer Booklet provided.

QUESTION 1

Part A

The following information are the details of the costs and sales during the year 2022 for Armand Bhd.

Date	Transaction	Units	Unit Cost or Selling Price (RM)
1-Feb	Purchase	250	60
21-Mar	Sale	100	80
12-June	Purchase	300	65
9-Aug	Sale	230	90
10-Sep	Purchase	150	70
22-Oct	Sale	100	100
24-Nov	Purchase	200	75
25-Dec	Sale	300	110

All computations are to be rounded to 2 decimal places.

Required:
Calculate the cost of inventory at the financial year ended 31 December 2022 using First in, First out (FIFO) in accordance with MFRS 102 *Inventories.*

(9 Marks)

Part B

In 2022, Priyah Trading spent RM140,000 on the cost of developing the company's website. The costs incurred are as follows:

Costs	**RM**
Feasibility studies	50,000
Purchase of domain name	16,000
Purchase of operating software	16,000
Website design	8,000
Uploading contents on the website	30,000
Staff training costs to maintain the website	20,000
Total	**140,000**

Required:
Illustrate the accounting treatment for each of the above costs in accordance with MFRS 138 *Intangible Asset.* (6 Marks)

Continued...

Part C

Farisha Bhd. operates in the food industry since 2017. On 1 January 2019, the company bought a property comprising a land and a 10-storey office building for RM75 million. On the date of purchase, the cost of the land was RM15 million. Eight floors of the building were rented out to external parties, while the remaining 2 floors were used by the company for their business operations. The building is estimated to have 40 years useful life with a salvage value of RM6 million. On 1 January 2020, the fair value of the land is RM21 million and the building RM56 million, respectively.

On 1 January 2021, the tenancy of the building with the external parties was terminated and the company has leased out all the eight floors to its subsidiary, Faisal Supplies Sdn. Bhd. Farisha Bhd. continues using the remaining floors for its business operation. The fair value of the land and building on 1 January 2021 were RM22 million and RM65 million, respectively. The company used fair value model to measure its investment property.

Required:

a) Illustrate the accounting treatment for the land and building from 2019 until 2021 in accordance with the requirement of the MFRS 140 *Investment Property*.

(4 Marks)

b) Prepare the journal entries to record the above transactions from 2019 until 2021.

(6 Marks)

[TOTAL: 25 MARKS]

QUESTION 2

On 1 January 2021, Khayrul Bhd. purchased a new machine for cash of RM2,000,000. The machine has an expected life of five years and a residual value of RM500,000. The company received a 40% grant towards the cost of the machine on the same date.

The company's accounting policy for capital-based grants is to treat them as deferred credits and release them to income over the life of the asset to which they relate.

On 31 December 2022, it is found that the company can no longer fulfil the requirements of the government and hence had to repay the grant in full on 31 December 2022.

The accounting year end is 31 December each year.

Required:

In relation to MFRS 120 *Government Grants*:

Continued...

a) Prepare the journal entries to record the purchase of machine, grant receipt, depreciation, and the repayment of the grants from 1 January 2021 until 31 December 2022. (10 Marks)

b) Prepare the T-Ledger of deferred income account for 2021 and 2022. (6 Marks)

c) Prepare the extracts of financial statements for the years ended 2021 and 2022. (9 Marks)

[TOTAL: 25 MARKS]

QUESTION 3

The following information relates to Sarmila Berhad for the year ended 30 December 2021 and 2022.

Sarmila Berhad
Statement of Profit or Loss
For the year ended 31 December 2022

	RM'000
Revenue	2,000,000
Less: Cost of sales	1,200,000
Gross profit	800,000
Depreciation on building	(16,000)
Depreciation on machinery	(32,000)
Staff salaries	(108,000)
Loss on disposal of machinery	(20,000)
Operating expenses	(424,400)
Interest expense	(38,000)
Profit before tax	161,600
Income tax expense	(40,000)
Profit for the year	121,600

Sarmila Berhad
Statement of Financial Position
as at 31 December

	2022 **RM'000**	**2021** **RM'000**
Non-current Assets		
Property, plant, and equipment	932,000	676,000

Continued...

	2022	2021
Current Assets		
Inventory	220,000	332,000
Trade receivable	870,000	450,000
Prepaid expenses	10,000	50,000
Cash and bank	241,000	112,000
Total Assets	**2,273,000**	**1,620,000**
Equity		
Ordinary shares	800,000	480,000
Preference shares	600,000	400,000
Revaluation surplus	80,000	-
Retained earnings	254,600	216,000
Current Liability		
Trade payable	200,400	272,000
Income tax payable	12,000	4,000
Interest payable	76,000	48,000
Non-current Liability		
Bond payable	250,000	200,000
Total Equity and Liability	**2,273,000**	**1,620,000**

Additional Information:

1. The non-current asset schedule revealed the following details:

	2022 RM'000	2021 RM'000
Land	300,000	180,000
Building (Cost)	544,000	448,000
Less: Accumulated depreciation	112,000	96,000
Machinery (Cost)	456,000	400,000
Less: Accumulated depreciation	256,000	256,000
	932,000	676,000

2. Land with a carrying value of RM180,000,000 was revalued to RM260,000,000. There was no disposal of land during the year but there was an acquisition.

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3. No buildings were sold during the year.

4. Machinery costing RM132,000,000 was sold for cash.

5. A dividend was declared and paid during the year of RM83,000,000.

Required:

Prepare the Statement of Cash Flows for the year ended 31 December 2022 using indirect method in accordance with MFRS 107 *Statement of Cash Flows*.

(25 Marks)

[TOTAL: 25 MARKS]

QUESTION 4

Part A

Kherna Berhad has borrowed RM200 million from a finance company to start a business. Part of this loan will be used to construct the factory building which costs around RM120 million. The construction will take approximately five years to complete. The balance of the borrowing is required to set up the business operations.

Below is the breakdown of the various sources of financing:

No	Types of Financing	RM Million
1	8% Redeemable preference shares	60
2	10% Loan stock	40
3	7% Term loan	100
		200

Assuming that construction on the factory building starts on 1 January 2022 and the financing is obtained on the same date.

Required:

In relation to MFRS 123 *Borrowing Cost*:

a) Compute the amount of borrowing cost eligible for capitalization.

(3 Marks)

b) Compute interest expense to statement of profit or loss.

(1 Mark)

c) Compute the total amount capitalized for factory building.

(2 Marks)

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Part B

MAH Berhad is principally involved in the business of raising livestock. On 1 January 2022, MAH Berhad has a herd of 120 4-year-old calves. MAH Berhad has furnished the following information regarding the livestock management of its entity for the year ended 31 December 2022.

Date	Particulars
1 March 2022	Acquired 20 calves, 14-month-old.
1 July 2022	Acquired 15 calves, 2.5-year-old.
1 October 2022	6 calves were born.

The following are the fair value less cost to sell per calf throughout 2022.

Date	Particulars	RM
1 January 2022	4-year-old calves	2,000
1 March 2022	14-month-old-calves	1,050
1 July 2022	2.5-year-old calves	1,700
1 October 2022	New-born calves	600
31 December 2022	New-born calves	750
31 December 2022	3-month-old calves	820
31 December 2022	14-month-old-calves	1,200
31 December 2022	2-year-old calves	1,600
31 December 2022	2.5-year-old calves	2,000
31 December 2022	3-year-old calves	2,200
31 December 2022	4-year-old calves	2,400
31 December 2022	5-year-old calves	3,200

Required:
In relation to MFRS 141 *Agriculture*:

a) Compute the carrying amount of the biological asset to be recognized in the statement of financial position as at 31 December 2022

(4 Marks)

b) Compute the amount of revenue to be recognized in the statement of profit or loss for the year ended 31 December 2022 due to price and physical changes.

(10 Marks)

Part C

Briefly state the 5-step model of MFRS 15 *Revenue from Contracts with Customers* in recognising revenue.

(5 Marks)

[TOTAL: 25 MARKS]
End of Paper